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Division of Marketing and Marketing Agreements
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Vol. I WASHINGTON, DECEMBER 12, 1936 NO. 19

FEDERAL-STATE COOPERATION IN MILK PROGRAMS FOR INDIANA MARKETS OUTLINED IN MEMORANDUM

The Secretary of Agriculture and the Indiana Milk Control Board have agreed on a memorandum outlining the basis for Federal-State cooperation in the development and administration of orders applicable to the handlers of milk in marketing areas of the State of Indiana which derive part of their milk supply outside of the State.

The agreement provided for in the memorandum is the first to be developed between the Federal Government and a State milk control board for the purpose of facilitating coordinated regulation of milk markets. The Agricultural Adjustment Act as amended August 1935 makes it possible for the Secretary of Agriculture to cooperate with the duly constituted authorities of any State in efforts to obtain uniformity in the formulation, administration, and enforcement of Federal and State milk-marketing programs.

The understanding between the Secretary of Agriculture and the Indiana Milk Control Board relates to joint action in the formulation and issuance of orders regulating the handling of milk in Indiana markets, the establishment of identical prices to producers in the Federal and State regulations applicable to these markets, a mutual exchange of information, and the administration and enforcement of orders.

Principles Outlined

The text of the memorandum follows:

"In connection with the mutual efforts of the Secretary of Agriculture and the Indiana Milk Control Board to regulate the marketing of milk in certain Indiana markets, there has developed a cordial spirit of cooperation in the development and administration of such regulations. In order that such cooperative efforts may be continued in the manner and to the fullest extent provided for in section 10 (i) of the Agricultural Adjustment Act, as amended, and section 22 of the Indiana milk-control law, approved March 12, 1935, the following statement of mutual understanding and policy to be followed is set forth:

"The primary essential to such cooperation is the realization of the nature and difficulties of the common problem. The Indiana Milk Control Board realizes that milk-market regulation involves an economic problem which does not necessarily coincide with the territorial boundaries of the State. The Milk Control Board also is persuaded that successful regulation of any market within the State, which obtains part of its supply from an area beyond the borders of the State, must be dealt with as a single economic unit, and to that end invites the assistance of the Federal Government. On the other hand, it is the policy of the Federal Government to cooperate with the duly constituted authorities of the State whenever it appears possible under statutory authority to develop a practical plan of concurrent regulation in such markets.

"To the end, therefore, that the regulatory efforts of both the Federal and

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MILK NOW BRINGS MORE IN KANSAS CITY MARKET

Federal Program Assists Producers In Improving Selling Conditons; Farmers' Prices Show Gains

More than 1,300 producers supplying milk to the Kansas City, Mo., marketing area have experienced improved selling conditions and higher returns under a Federal milk-marketing program for that sales area, which has been in effect under the provisions of the Agricultural Adjustment Act, according to a summary of the market administrator's reports made by the Dairy Section.

The milk-marketing program in Kansas City has operated continuously since March 1934 when a license for milk distributors became effective. The original license included Kansas City, Kans., and several towns surrounding Kansas City, Mo., in the sales area. An amendment to the license in July 1935 restricted the sales area to the corporate limits of Kansas City, Mo.

Under the Federal milk-marketing program the dairy industry in that area has been assisted in stabilizing market conditions. The program provides for a uniform plan under which handlers buy their milk from producers, and establishes prices and a uniform method of paying producers for this milk. The program is administered by a market administrator who receives reports from distributors. These reports are audited for the purpose of verifying the accuracy of payments made to each producer.

Prices Improved

That the milk-marketing program has contributed towards the increase in returns to producers is indicated in an analysis of the price structure of the market. The average net price paid to producers for 3.8 percent milk delivered f. o. b. Kansas City in 1931 was $1.99

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GRAPEFRUIT BUYING PLAN BOLSTERS GROWERS' PRICE

Purchases Total 777 Carloads in 2 States: Supplement Efforts of Industry in Face of Big Crop

With a crop of grapefruit in Florida this season approximately as large as the entire production of the United States last year, the Agricultural Adjustment Administration is buying in that State most of the surplus grapefruit which it is purchasing in order to supplement the efforts of growers and shippers to improve marketing conditions under marketing agreements. Surplus Texas grapefruit, in lesser quantities, is also being purchased by the A. A. A.

In the first 6 weeks of the purchase program which started in Florida in the last week in October, a total of 708 carloads of grapefruit, or 283,961 boxes, were bought. Purchases in Texas started during the last week in November, and in the first 3 weeks 69 carloads were bought in that State.

Surplus grapefruit bought by the Government is turned over to the Federal Surplus Commodities Corporation for relief distribution. That bought in Florida is distributed in States east of the Mississippi River, while the Texas fruit is largely distributed west of the Mississippi. Since Government buying started this season, relief agencies in 23 eastern States and the District of Columbia have received carload lots of Florida grapefruit, and Texas shipments have been distributed in 12 additional States.

Growers Favor Plan

Purchases involve grapefruit grading U. S. No. 3 or better. The Florida fruit is being bought at the rate of 46 cents per standard field box loaded bulk in cars. Thirty-one cents of this price goes to growers. Texas fruit is purchased on a comparable basis. Growers generally have stated that this rate has supported the grapefruit market and prevented prices this season from going to extremely low levels because of the record-breaking crop, which is about 50 percent larger than that of last year.

States to which the surplus grapefruit has been distributed for relief use are Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, New York, New Jersey, New Hampshire, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Virginia, West Virginia, and Wisconsin.

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JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

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KANSAS CITY MILK

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per hundredweight. In 1932 the average price had dropped to $1.42 per hundredweight. In 1933 the average price decreased further to $1.40 per hundredweight. During the first year of regulation, April 1934–March 1935, the average price paid producers increased to $1.94 per hundredweight. From April 1935–March 1936, the average producer price was $1.91 per hundredweight. On the basis of recent increases in prices paid, the indications are that during the third full year of regulation the average price paid to producers will be higher than the $1.94 price achieved during the first year of operation. The August 1936 average producer price was $2.34 per hundredweight.

The average price paid to producers for 3.8 percent fluid milk in Kansas City in the calendar year immediately preceding regulation was $1.40 per hundredweight, compared to the condensery average price of the same period of $1.03. During the first full year of regulation the average price paid the producer was $1.94 per hundredweight, compared with $1.30 paid by condenseries. In the second year of regulated marketing the average price paid for fluid milk was $1.91, compared to $1.36 paid for condensery milk.

Thus, fluid-milk producers delivering to Kansas City received 37 cents per hundredweight more than the condensery price in 1933, the year immediately preceding regulation, 64 cents per hundredweight more than the condensery price in the first year of regulation, and 55 cents more than the condensery price in the second year of the Federal program.

Since the Federal milk-marketing program has been in effect, it has been more profitable for Kansas City producers to produce milk for fluid-milk consumption than it was for them to produce such milk in the months immediately preceding the advent of the marketing program.

The purchasing power of consumers in Kansas City has increased somewhat during the past 2½ years, and has been a factor of importance in increasing prices to producers.

Between 1931 and 1933, the average price paid for milk in Kansas City dropped approximately 30 percent while the prices paid by farmers for commodities bought dropped approximately 24 percent. In the first year of the marketing program the price paid producers increased approximately 38 percent over the 1933 level while the price paid for commodities bought went up only 13 percent. In the second year of regulation the producer price was 36 percent higher than the low in 1933 and the price paid for commodities bought was about 15 percent higher than in 1933. Thus, the spread between the prices paid for milk and the prices paid by farmers for commodities bought has narrowed considerably during the period of Federal regulation.

On December 1, an order regulating the handling of milk in the Kansas City sales area replaced the license. This order provides for an increased class 1 price of $2.40 per hundredweight, and for a class 2 price of $2.05 per hundredweight. The class 3 price is based on price of butter on the Chicago market.

INDIANA MILK PROGRAMS

(Continued from p. 1)

State Governments may promote the public interest as fully as possible, it is mutually considered that the following understanding and procedure, with such modifications as time and experience shall prove advisable, should be observed:

"I

"It shall be the policy of the Secretary of Agriculture and the Indiana Milk Control Board to act jointly in the formulation and issuance of orders regulating the handling of milk in Indiana markets and, in pursuance thereof, to hold joint or concurrent hearings, jointly to consider the facts contained in the record of such hearings, and to maintain a mutual exchange of views in order that common agreement may be reached upon all essential provisions prior to issuance of either. The same policy of joint negotiation and action will be followed with respect to modifications of or amendments to such orders.

"II

"The Secretary of Agriculture and the Indiana Milk Control Board will, in their respective orders, rules, or regulations for each Indiana marketing area, establish identical prices to producers based on a uniform classification of all milk to which prices to handlers shall apply and uniform terms and conditions for the purchase of milk by milk dealers and handlers. It is likewise agreed that any and all differentials which may apply to established prices will be identical, and that similar methods of payment to producers will be provided in order that all producers supplying the market will be paid on an equitable basis.

"III

"It shall be the policy of the Secretary of Agriculture and the Indiana Milk Control Board to provide for the mutual exchange of all information essential to the proper administration of their respective orders and relevant to transactions within the regulatory jurisdiction of such authorities, receipt of which, on the part of the Indiana Milk Control Board, is subject to requirements of section 10 (i) of the Agricultural Adjustment Act and, on the part of the Secretary of Agriculture, to the same rules and regulations which are issued pursuant to statutory requirements and applicable to information received pursuant to Federal orders.

"IV

"It is understood that the agent, or agency, designated to administer the respective orders issued by the Secretary of Agriculture and the Indiana Milk Control Board, and applicable to the same marketing area, will be one that is mutually acceptable to both governments.

"It is deemed essential, to consistent administration of the respective orders, that a uniform system of auditing be followed in the administration of each order in all matters that have to do with costs to milk dealers or handlers and payments to producers.

"All provisions of the respective orders which provide for the cost of administration or the rendition of services to producers will be so drawn as to be equitable among all persons sharing in the cost of such administration and the payment for and receipt of any designated services.

"V

"The failure of any person to comply with any of the provisions of either order applicable to the same marketing area shall be regarded as of mutual concern, and the respective governmental authorities shall be kept fully advised in regard thereto in order that a cooperative effort may be made to decide upon an appropriate course of action. In all matters affecting enforcement of their respective orders applicable to the same marketing areas, the Indiana Milk Control Board and the Secretary of Agriculture undertake, both severally and jointly, to use all means at their disposal for the effective enforcement of such orders."

PROGRAM FOR PEARS SEEKS NEW OUTLETS

Agreement in Effect For Diversion of Surplus Oregon and Washington Pears to New Trade Channels and Uses

A diversion program conducted under an agreement between the Secretary of Agriculture and the Oregon-Washington Pear League, Inc., seeks to encourage new markets and new uses for surplus fresh fall and winter pears grown in Oregon and Washington.

The program applies to Oregon and Washington surplus fall and winter pears of a grade equal to or better than U. S. No. 1, although any one box, or container, may vary 20 percent from the No. 1 grade. Under the program three types of outlets are to be encouraged. These include shipments into certain States not now normal markets for Oregon and Washington fall and winter pears, exports to certain foreign countries, and diversion into new uses such as the manufacture of pear concentrates, pear brandy, and other byproducts.

Outlets Have Lagged

In requesting the program, the industry has pointed out that in recent years

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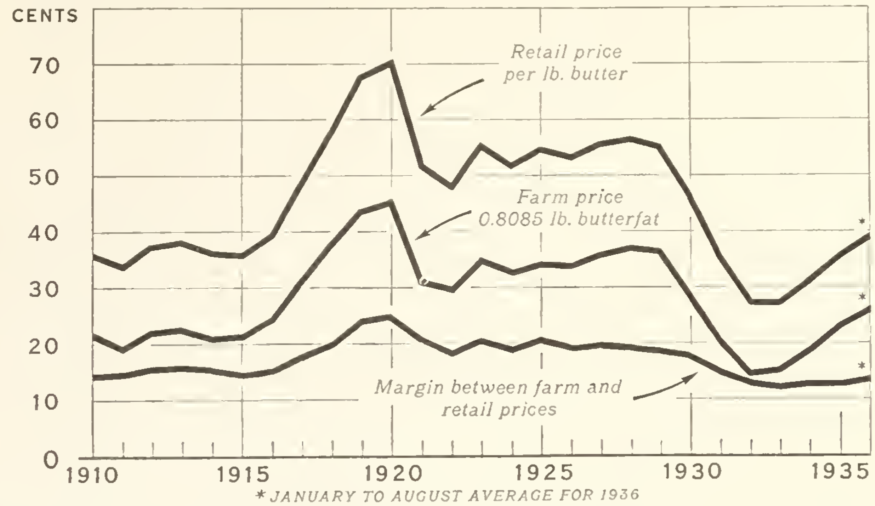
FARMER GETS BIGGER SHARE OF BUTTER PRICE

SMALLER MARGIN BETWEEN FARM-RETAIL BUTTER PRICES



Narrower Margins in Butter Price Structure Made Possible Through Lower Manufacturing and Distributing Charges

During the last few years the charge for manufacture and distribution of butter has averaged the lowest since 1910. It has been relatively low compared with foods as a group, and has become lower compared with foods in general since the pre-war period, according to the Dairy Section.

Comparisons of the margins between the annual average farm prices of butterfat and the average retail prices of butter, the margins between the farm and retail values of 58 foods, and an index of the cost of distribution of food, contained in the October issue of The Dairy Situation, of the Bureau of Agricultural Economics, reveal the trends which have taken place.

In common with changes in the margins between the farm and retail prices of foods as a group, the margin between the farm price of butterfat and the retail price of butter increased rather sharply during the World War period of general rise in prices, declined somewhat in the immediate post-war deflationary period, held fairly constant from 1923 to 1929, and then declined during the recent depression period. Since 1933 it has increased slightly with the general rise in prices. Like the margins of most foods, the butter margin has increased and decreased less than farm and retail prices during periods of marked price changes.

Tend to Decline

The margins between the farm price of 0.8085 pound of butterfat, the average quantity purchased by manufacturers per pound of butter made, and the retail price of butter averaged 15 cents from 1910 to 1914, 19.5 cents from 1925 to 1929, 12.1 cents in 1933, 12.6 cents in 1935, and 13.5 cents from January to August 1936.

The butter margin increased relatively less than the margin of 58 foods during the war period and declined relatively more from 1920 to 1922 and from 1929 to 1933. The 1925–29 average butter margin was only 30 percent above the 1910–14 average, whereas the margin for 58 foods averaged 80 percent above the 1913–14 level, and Warren & Pearson's index of the cost of distribution of food averaged 91 percent above the 1910–14 average. The increase in charges for manufacture and distribution from pre-war to 1925–29 apparently was less for butter than for foods generally. From 1929 to 1933 the butter margin decreased 35 percent, the margin for 58 foods decreased 22 percent, and Warren & Pearson's index declined 29 percent. In 1935 the butter-price margin averaged 16 percent below pre-war, the margin for 58 foods 65 percent above, and Warren & Pearson's index 74 percent above pre-war.

More to Farmers

In 1913 and 1914 farmers received 58 percent of the retail price of butter compared with 53 percent of the retail value of 58 foods. The corresponding 1925–29 average proportions were 65 percent and 48 percent, respectively. In 1933 they were 53 percent and 35 percent. In 1935 the farmers' share of the retail price paid by consumers for butter was 65 percent, and for 58 foods 42 percent.

Factors which may have tended to reduce the charges for manufacture and distribution of butter include increased output of butter per plant and increased efficiency of labor in butter making, the growth of farmers' cooperatives for manufacture and sale of butter, and the practice of using butter as a sale leader by grocery stores.

PEAR PROGRAM

(Continued from p. 2)

the development of markets for Oregon and Washington pears has not kept pace with the rapid increase in production. During the period 1930 to 1935, Oregon produced 38 percent and Washington 27 percent of all fall and winter pear varieties grown in the United States. Production this year is placed at 18 percent above the average for the last 5 years, and further increases in the next few years are expected in view of the number of trees which have not yet come into bearing. The continuous increase in production and the lag in the development of additional outlets have resulted in constantly decreasing prices to growers. During the last year the major fall and winter pear varieties have sold at prices which were about 50 to 65 percent below the 1926–30 average.

The Oregon-Washington Pear League, Inc., at Portland, Oreg., was organized by the industry especially for the purpose of operating the diversion program under the agreement with the Secretary. Operation of the program was made possible through provisions of section 32 of the amendments to the Agricultural Adjustment Act of last year. This section makes available to the Secretary an amount equal to 30 percent of annual customs receipts for uses which include encouraging new markets and new uses for agricultural commodities. A similar program is in operation for California fall and winter pears.

Sales To Be Encouraged

Consumption of Oregon and Washington fall and winter pears is to be encouraged in certain domestic markets to which these pears have, in the past, not been normally shipped. This will be done through payments by the Secretary for losses incurred in connection with the shipping of these pears to certain designated domestic markets. These payments would be on the basis of the difference between the average base price fixed by the Secretary and the net sales price limited, however, to an average of 50 cents per box on pears so diverted. The average base price and net sales price are to be determined for each of the three principal pear-producing areas in the States of Oregon and Washington rather than for the two States together, thus recognizing the material difference in prices received in the past for fruit produced in the various districts. These are the Wenatchee-Yakima district, the Medford district, and the Hood River district.

Exports are to be encouraged through a payment of 50 cents per box on pears shipped to all foreign countries except those which comprise the British Empire (but not including mandated territories), all countries, colonies, and territories, including Palestine, bordering upon the Mediterranean Sea, countries of Europe, Argentina, and Cuba. Under the provisions of the agreement, the Secretary may change the list of countries to which pears may be exported upon 30 days' notice.

Losses incurred on pears sold for diversion from normal channels of trade to byproduct uses are to be made up through payments based on the difference between a unit price (representing market value) and the sales price less certain expenses. The unit price and the sales price are to be fixed by the Secretary.

EXPORT SUBSIDY NOT FOR DRY-SKIM-MILK INDUSTRY

Even If Tried, Difficulties Would Arise From Foreign Restrictions; Use Of Surplus For Relief

[*This is the third and last of a series of articles on world trade in dry skim milk as it relates to dry-skim-milk production and marketing in the U. S.*]

Should efforts to improve domestic prices for dry skim milk be directed along lines which would lead to the subsidization of exports, or should this be brought about through continuance of surplus removal operations designed to increase domestic consumption?

This question is answered by the Dairy Section in this, the last of a series of three articles dealing with dry skim milk. The previous articles discussed the principal foreign dry-skim-milk importing and exporting countries and reviewed the part played by the United States in the world trade of this product.

Since the Netherlands is the most important exporter of dry milk, the prevailing price for dry skim milk in that country in relation to prices in the United States is an indication of the amount of the bounty that would have to be paid if the exportation of this product were to be subsidized on a large scale. This, however, involves the assumption that transportation costs to the importing countries from the United States and the Netherlands are approximately equal and that the products are comparable in quality.

Price Ranges

The average of manufacturers' wholesale selling prices of dry skim milk, f. o. b. factory, in the United States, and the average wholesale prices at Amsterdam, from January 1935 to August 1936, inclusive, range from 2.9 to 5.2 cents. The average differential for 1935 was 4.1 cents, while the average for the first 8 months of 1936 was 4.4 cents. On this basis a bounty of approximately 4 cents per pound would apparently be necessary if a large increase in exports of dry skim milk were to be obtained. Some increase in exports, above the present level, would probably take place upon the payment of a smaller bounty, especially if Amsterdam prices are for a lower quality product.

During the first 7 months of 1936, 12,427,660 pounds of dry skim milk were imported into the United States from the Netherlands out of a total of 13,232,100 pounds from all foreign countries. Since such milk is dutiable at 3 cents per pound upon importation into the United States, it appears that, under present price relationships, Dutch powder would have a competitive price advantage of at least that amount over United States powder in any foreign market.

The possible gains to producers from a dry-skim-milk subsidization program are difficult to estimate since the raw material of this product is principally a byproduct of fluid cream, and to a lesser extent of butter production. Insofar as such a program would result in an increase in prices of dry skim milk, it would tend to increase prices of fluid skim milk and hence would tend to increase the income of dairy producers. At the same time it would result in an increased utilization of fluid skim milk. Only a fraction of the skim-milk supplies now is used for drying, although a portion is used for cottage cheese, cultured buttermilk, and casein. The production of dry skim milk in 1935 amounted to 262,955,000 pounds.

Trade Possibilities Limited

Because of the limited world markets for dry skim milk, even under the most favorable conditions, from the point of view of trade barriers, exports of this product would necessarily be limited to only a small fraction of total domestic production. The increase in prices as a result of a subsidization program would be limited, therefore, especially in view of the large supply of skim milk which may be readily made available for drying, of the excess productive capacity of the industry, and of the relative ease with which additional capacity may be installed.

Benefits of a subsidization program to the dry-skim-milk industry might accrue, however, indirectly as a result of the tendency that such a program might have in stabilizing prices. This would be especially true if exports were to take place during periods of declining prices. However, this could also be accomplished through a program designed to purchase surplus quantities for the purpose of distribution among families on relief rolls, although the expenditures necessary to divert a given surplus would be greater in the latter case. The subsidization of exports of dry skim milk might also result in the development of permanent foreign markets for the American product. In view, however, of the fact that exports had amounted at one time to close to 13 million pounds per year but have declined since then to 1 million pounds, the problem appears to be one of price competition rather than the establishment of connections in foreign markets.

By way of summary, the Dairy Section says:

The United Kingdom and France constitute the principal importers of dry milk; these countries taking a large portion of the dry milk entering international commerce.

Factor of Restrictions

An examination of the import restrictions existing in the United Kingdom and France indicates that exports to these countries could not be increased, regardless of whether such exports were subsidized or not, because of the existence of formal official quantitative restrictions in France and of voluntary restrictions in the United Kingdom, which, however, would be probably turned into compulsory restrictions if any country attempted to increase its exports unduly. At the same time such restrictions, if once imposed, generally tend to persist even after the initial cause for their imposition is removed.

Countries other than the United Kingdom and France appear to offer only a limited outlet for dry skim milk.

Since the total quantity of dry milk, whole or skim, moving in international commerce amounts to from 50,000,000 to 55,000,000 pounds per year, the quantity that could be exported, even under favorable conditions, would have to be limited to such quantities as would not unduly depress world prices. Because of the increase in milk production in the United Kingdom in recent years, resulting in an increase in production in dry milk, the volume of foreign dry milk which can be marketed in that country at remunerative prices has declined.

The amount of the bounty that would have to be paid if exports of dry skim milk were subsidized extensively would probably amount to 4 cents per pound, on the basis of price relationships prevailing since January 1935.

The primary benefit of a subsidization program with respect to dry skim milk would be its tendency to stabilize prices of this product.

It is probable that the same objectives could be accomplished through a domestic surplus-removal program, involving the diversion of surplus quantities of dry skim milk to families on relief rolls. The necessary expenditures in this case would be greater, however, since none of the cost would be recovered. On the other hand, such a program would be more advantageous in the long run. By subsidizing domestic instead of foreign consumers, more people in the United States would be familiarized with the product and domestic consumption probably would be permanently increased.

Marketing Agreement For Onions In Utah Given Tentative Approval

A marketing agreement for handlers of onions grown in the State of Utah has been tentatively approved, and sent to the industry for signature. Growers are being requested to indicate whether they favor the issuance of an order by the Secretary of Agriculture which would embody the provisions of the agreement.

The marketing agreement program would enable the industry to adjust shipments of onions to market according to grade and size by variety, in keeping with market requirements.

The program would be administered by a control board of seven members, representative of growers and handlers. Provisions in the agreement would enable the control board to cooperate with the Secretary of Agriculture in surplus removal programs for onions, and with control boards with handlers of onions operating under any other marketing agreement programs.

California Gravenstein Apple License and Agreement Ended

The marketing agreement and license for handlers of California Gravenstein apples was terminated, effective December 2, 1936.

Providing for a program under which the industry could adjust shipments of apples more nearly in accordance with market requirements, the agreement and license has been in effect since August 1934.

Since the amendments to the Agricultural Adjustment Act specifically exclude apples from those provisions of the act which relate to the issuance of orders, it is impossible to replace the marketing agreement and license with a marketing agreement and order, as has been done for other agricultural commodities for which marketing agreement programs have been in operation.

U. S. GOVERNMENT PRINTING OFFICE: 1936